

DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: April 22, 2010
POSITION: Oppose
SPONSOR: City of Long Beach

BILL NUMBER: AB 2663
AUTHOR: B. Lowenthal

BILL SUMMARY: Local Government: Federal Fiscal Year

Existing law (Proposition 1A, 2004) provides that the state may borrow a specified amount of property tax revenues from local governments if certain conditions are met. Such borrowing occurred in 2009-10.

Five of California's local governments, the cities of Long Beach, Huntington Beach, Inglewood, El Segundo and South Lake Tahoe, use the federal fiscal year cycle beginning October 1st, while the remainder conform to the state fiscal year cycle beginning July 1st.

This bill would provide that, beginning January 1, 2011, if the state transfers, borrows, or suspends revenues allocated to a local government that budgets based on the federal fiscal year, the transaction shall be suspended during the months of July, August, and September, and instead shall commence on October 1st. This suspension would apply to all transactions involving the following funds and revenues:

- Property tax revenues.
- Revenues from the Highway Users Tax Account (HUTA).
- Revenues from the Transportation Investment Fund (TIF).
- Funds allocated to a redevelopment agency.

FISCAL SUMMARY

Finance estimates this bill could result in the disruption of the state's General Fund cash flow in times of economic hardship, particularly if other local governments are encouraged to adopt the federal fiscal year budget cycle as a means of discouraging state borrowing of local revenues.

Based on how such borrowing has been done in the past, the only revenues that will likely be affected by this bill are gasoline tax revenues in the HUTA.

COMMENTS

Finance opposes this bill for the following reasons:

- This bill could impede the state's General Fund cash flow should it become necessary to borrow from local governments in future years.
- This bill could encourage local governments to adopt the federal fiscal year budget cycle as a means of discouraging state government borrowing of local revenues in times of economic hardship.

Analyst/Principal (0762) C. Hill	Date	Program Budget Manager Mark Hill	Date
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Department Deputy Director	Date
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Governor's Office:	By:	Date:	Position Approved _____
			Position Disapproved _____

BILL ANALYSIS	Form DF-43 (Rev 03/95 Buff)
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BILL ANALYSIS/ENROLLED BILL REPORT--(CONTINUED)**Form DF-43****AUTHOR****AMENDMENT DATE****BILL NUMBER**

B. Lowenthal

April 22, 2010

AB 2663

Code/Department Agency or Revenue Type	SO	(Fiscal Impact by Fiscal Year)							
	LA	(Dollars in Thousands)							
	CO	PROP							Fund
	RV	98	FC	2009-2010	FC	2010-2011	FC	2011-2012	Code
0001/Major Rev	SO	No	-----	See Fiscal Summary				-----	0001